

Message Text

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ACTION MMO-04

INFO OCT-01 NEA-10 ISO-00 EA-12 EUR-12 FEA-01 ERDA-07

AID-05 CEA-01 CIAE-00 DODE-00 EB-08 FPC-01 H-02

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-05

USIA-15 OES-07 SP-02 SS-15 STR-05 TRSE-00 ACDA-10

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R 160635Z SEP 77

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 6093

INFO USDOC WASHDC

AMEMBASSY ABU DHABI

AMEMBASSY BAGHDAD

AMEMBASSY JIDDA

AMEMBASSY OTTAWA

AMEMBASSY SINGAPORE

AMEMBASSY TEHRAN

AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

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DEPARTMENT PLEASE PASS TO USGS, USBURMINES

E.O. 11652: N/A

TAGS: ENRG, ECRP, IN

SUBJECT: CERP 0429- ANNUAL PETROLEUM REPORT-INDIA 1977

1. THE FOLLOWING IS THE SUMMARY OF AN AIRGRAM BEING
POUCHED.

2. INDIGENOUS CRUDE PRODUCTION DURING 1976 AMOUNTED TO
8.66 MILLION METRIC TONS (MT), UP ONLY marginally FROM
1975'S 8.28 MILLION MT. A MAJOR ACHIEVEMENT DURING
1976 WAS BRINGING THE OFFSHORE BOMBAY HIGH (BH) OILFIED
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INTO COMMERCIAL PRODUCTION ON MAY 21, FOLLOWING AN
INTENSIVE 28-MONTH EXPLORATION AND DEVELOPMENT EFFORT
% \$3:3.734 1976, THE PRODUCTION RATE FROM THE BH HAD
REACHED ROUGHLY 16,000 B/D AND BY MID-1977 FURTHER
INCREASED TO AROUND 35,000 B/D. THE GOI'S OIL AND
NATURAL GAS COMMISSION (ONGC) IS AIMING FOR A RATE OF
80,000 B/D EQUIVALENT TO FOUR MILLION MT PER ANNUM

(MTPA) FROM 20 WELLS BY APRIL 1978. THE CRUDE PRODUCTION TARGET FOR THE CURRENT FISCAL YEAR 1977/78 (ENDING MARCH 31, 1978) IS ESTIMATED AT 11.25 MILLION MT WITH BH CONTRIBUTING ABOUT 2.2 MILLION MT.

3. DESPITE AN INCREASE IN THE INDIGENOUS PRODUCTION, CRUDE IMPORTS IN 1976 REMAINED CLOSE TO THE 14 MILLION MT LEVEL FOR THE THIRD CONSECUTIVE YEAR. COUPLED WITH 2.3 MILLION MT OF POL PRODUCTS, INDIA'S TOTAL POL IMPORT BILL ROSE TO A RECORD LEVEL OF RS 13.48 BILLION (DOLS 1.53 BILLION AT RS 8.81 EQUI 1.00) IN 1976, UP 17.5 PERCENT OVER THE PREVIOUS YEAR. WITH A FURTHER RISE IN CRUDE PRICES IN 1977, CURRENT YEAR'S IMPORT BILL IS ESTIMATED AT ABOUT DOLS 1.7 BILLION, REPRESENTING SLIGHTLY OVER ONE-FOURTH OF INDIA'S TOTAL IMPORTS. IRAN, SAUDIA ARABIA AND IRAQ REMAIN INDIA'S PRINCIPAL SOURCES OF CRUDE WHILE THE SOVIET UNION IS THE LARGEST SUPPLIER OF POL PRODUCTS. DURING THE YEAR, THE GOI ACHIEVED A MAJOR TRADE BREAKTHROUGH WITH THE SOVIET UNION WHICH AGREED TO SUPPLY ONE MILLION MT OF CRUDE IN 1977 (FROM IRAQ) PLUS 1.5 MILLION MT PER YEAR OVER THE NEXT THREE YEARS ON RUPEE TERMS.

4. EXPORTS OF POL PRODUCTS, ON THE OTHER HAND, WERE NEGLIGIBLE IN VIEW OF INDIA'S GROWING DOMESTIC REQUIREMENTS. CONSUMPTION IN 1976 ROSE TO ABOUT 23.6 MILLION UNCLASSIFIED

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MT FROM 22.3 MILLION MT IN 1975. FURTHER GROWTH TO ABOUT 25.0 MILLION MT IS ANTICIPATED THIS YEAR. INDIA'S REFINERY THROUGHPUT CAPACITY REMAINED UNCHANGED AT 27.4 MILLION MT. BY 1980/81, HOWEVER, THE COUNTRY'S REFINERY CAPACITY IS EXPECTED TO REACH 37.8 MILLION MT VERSUS AN ESTIMATED DEMAND OF ABOUT 32 MILLION MT OF PETROLEUM PRODUCTS.

5. DESPITE THE ANTICIPATED GROWTH IN DOMESTIC PRODUCTION THE PROSPECTS OF GAINING SELF-SUFFICIENCY WITHIN THE NEXT DECADE REMAIN VERY REMOTE AT THIS JUNCTURE. WHILE IMPORTS IN RELATION TO THE TOTAL DEMAND SHOULD DECLINE PERCENTAGE-WISE, WE DO NOT FORESEE ANY APPRECIABLE CHANGE IN THE IMPORT LEVEL FOR SEVERAL YEARS. ANY INCREASE IN DOMESTIC PRODUCTION WILL LARGELY BE OFFSET BY THE RISE IN DEMAND.

6. IN AN EFFORT TO CONTROL THIS VITAL ENERGY SECTOR, THE GOI COMPLETED THE TAKEOVER OF THREE MAJOR OIL REFINING, STORAGE AND MARKETING COMPANIES DURING 1976: BURMAH SHELL, RENAMED BHARAT PETROLEUM CORPORATION LTD., ESSO'S REMAINING 26 PERCENT EQUITY IN HINDUSTAN PETRO-

LEUM CORPORATION LTD; AND CALTEX RENAMED CALTEX OIL
REFINING (INDIA) LTD. THE GOI NOW HAS CONTROL OVER
AT LEAST 95 PERCENT OF THE OIL INDUSTRY. NEGOTIATIONS
WERE ALSO INITIATED WITH BURMAH OIL OF UK FOR THE TAKE-
OVER OF THE JOINT SECTOR OIL INDIA LIMITED -OIL (50 PERCENT
GOI AND 50 PERCENT BURMAH OIL) AND BURMAH OIL'S SUBSIDIARY
ASSAM OIL. TALKS ARE CONTINUING WITH HOPES THAT A
SETTLEMENT WILL BE EACHED BEFORE THE END OF 1977.

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7. OF 10 OFFSHORE BLOCKS SET ASIDE FOR EXPLORATION
OF INDIA'S CONTINENTAL SHELF AREA, FIVE REMAIN OPEN FOR
POSSIBLE EXPLORATION BY FOREIGN FIRMS ON PRODUCTION
SHARING OR CONTRACT DRILLING BASIS. TWO OF THESE BLOCKS--
THE KUTCH BASIN AND THE BAY OF BENGAL WERE RELEASED BY
READING AND BATES (US) AND NATOMAS/CARLSBERG (US), RE-
SPECTIVELY, DURING MID-1977 AFTER HAVING DRILLED A
TOTAL OF THREE DRY WELLS. ASAMERA (CANADIAN) OPERATING
IN THE CAUVERY BASIN SPUDDED ITS FIRST WELL IN EARLY
1977,BUT BY MID-YEAR SUSPENDED DRILLING OPERATIONS DUR TO

LACK OF HYDROCARBON SIGNS. FUTURE DRILLING PLANS ARE YET TO BE DECIDED. ONGC REPORTEDLY PLANS TO UNDERTAKE ADDITIONAL SEISMIC SURVEYS IN THE RELIN-
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QUISHED AREAS AS A PRELUDE TO DRILLING. OI (FOLLOWING ITS TAKEOVER) WILL ALSO BE CONTRACTING FOR SEISMIC WORK AND DRILLING IN THE OFFSHORE MAHANADI BLOCK.

8. THE MAIN FOCUS OF EXPLORATION IN 1976 AND SO FAR THIS YEAR HAS BEEN IN THE OFSHOREAREAS, NAMELY THE BOMBAY HIGH AND BASSEIN STRUCTURES. BY NOVEMBER 1976, ONGC HAD SPUDDED A TOTAL OF 32 OFFSHORE WELLS FOR A TOTAL OF 66,761 METERS DRILLED. WITH THE IN SITU RESERVES OF THE BH ESTIMATED AT ABOUT ONE BILLION MT, ONGC IS OPTIMISTIC THAT THIS FIELD ALONE WILL BE CAPABLE OF PROVIDING 200,000 B/D OF CRUDE OVER THE NEXT 20 YEARS PLUS 3 TO 4 MILLION CUBIC METERS OF GAS PER DAY BEGINNING IN 1981/82. ANOTHER 40,000 B/ OF CRUDE PLUS ASSOCIATED GAS IS ALSO ENVISAGED FROM THE NEIGHBORING BASSEIN FIELD. THESE TARGETS, HOWEVER, WILL DEPEND ON THE SPEED AND SUCCESS OF INSTALLING TWO SUBSEA PIPELINES FOR TRANSPORTING THE CRUDE AND GAS AS WELL AS THE NECESSARY ONSHORE TERMINAL FACILITIES. WORK IS SCHEDULED TO BE TAKEN UP BY OCTOBER 1977 WITH THE PIPELINES TO BE INSTALLED BY THE END OF MAY 1978 BEFORE THE MONSOON SEASON.

9. LIKEWISE, ONGC'S OFFSHORE SUCCESS WILL CONTINUE TO DEPEND HEAVILY ON THE INFLOW OF CAPITAL AND TECHNICAL KNOWHOW. DURING THE FIRST THREE YEARS OF THE FIFTH FIVE-YEAR PLAN (1974/75) THRU 1976/77), THE ONGC SPENT RS 5.09 BILLION (DOLS 578 MILLION), MOST OF IT ON OFFSHORE EXPLORATION AND DEVELOPMENT. DURING THE SAME PERIOD, EXPENDITURES ON BH AMOUNTED TO RS 1.24 BILLION (DOLS 141 MILLION). THIS YEAR'S OFFSHORE BUDGET IS PLACED AT RS 3.44 BILLION (DOLS 391 MILLION). THE MAJORE EXPENDITURE (MOST OF IT IN FOREIGN EXCHANGE) IS
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FOR THE SUBSEA PIPELINES AND RELATED SUPPORT FACILITIES, BOTH ONSHORE AND OFFSHORE. FINANCIAL ASSISTANCE IS ALSO TO COME FROM A DOLS 150 MILLION WORLD BANK LOAN, A DOLS 50 MILLION EURO-DOLLAR LOAN AND PARTIALLY FROM A 20 BILLION YEN LOAN FROM JAPAN. WE ARE TOLD THAT THE CONTRACT FOR LAYING THE SUBSEA PIPELINES, VALUED AT DOLS 68-70 MILLION, HAS BEEN

AWARDED TO BROWN AND ROOT (US). TWO OTHER MAJOR CONTRACTS RELATED TO THE PIPELINES HAVE ALREADY BEEN AWARDED-THE PIPE SUPPLY WHICH HAS GONE TO NIPPON STEEL FOR DOLS 50 MILLION AND THE PIPE COATING BEING DONE BY A SINGAPORE SUBSIDIARY OF PRICE INTERNATIONAL FOR ABOUT DOLS 14.8 MILLION. THE JAPANESE ALSO RECENTLY CAPTURED THE "F" PLATFORM CONTRACT FOR DOLS 11.5 MILLION. THERE REMAIN A NUMBER OF MAJOR CONTRACTS YET TO BE AWARDED, E.G. WELL AND PROCESSING PLATFORMS, A FLARE JACKET, PUMPING FACILITIES, COMMUNICATION/TELEMETRY/TELECONTROL BETWEEN THE OIL/GAS FIELDS AND THE ONSHORE TERMINAL AT URAN, CRUDE STABILIZATION AND GAS FRACTIONATION FACILITIES, CRUDE STORAGE TANKS AS WELL AS POSSIBLE OFFSHORE RIGS AND DRILLING CONTRACTS. US FIRMS SHOULD KEEP IN MIND, HOWEVER, THAT WHENEVER POSSIBLE THE GOI WILL ATTEMPT TO SUBSTITUTE INDIGENOUS EQUIPMENT OR SEEK COLLABORATIONS WITH FOREIGN FIRMS IN ORDER TO ACQUIRE THE NECESARY TECHNOLOGY. WE BELIEVE THAT THE GOI WILL CONTINUE TO GIVE VERY HIGH PRIORITY TO THE PETROLEUM SECTOR.GOHEEN

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Message Attributes

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